



Australian food and agriculture: Opportunities and challenges

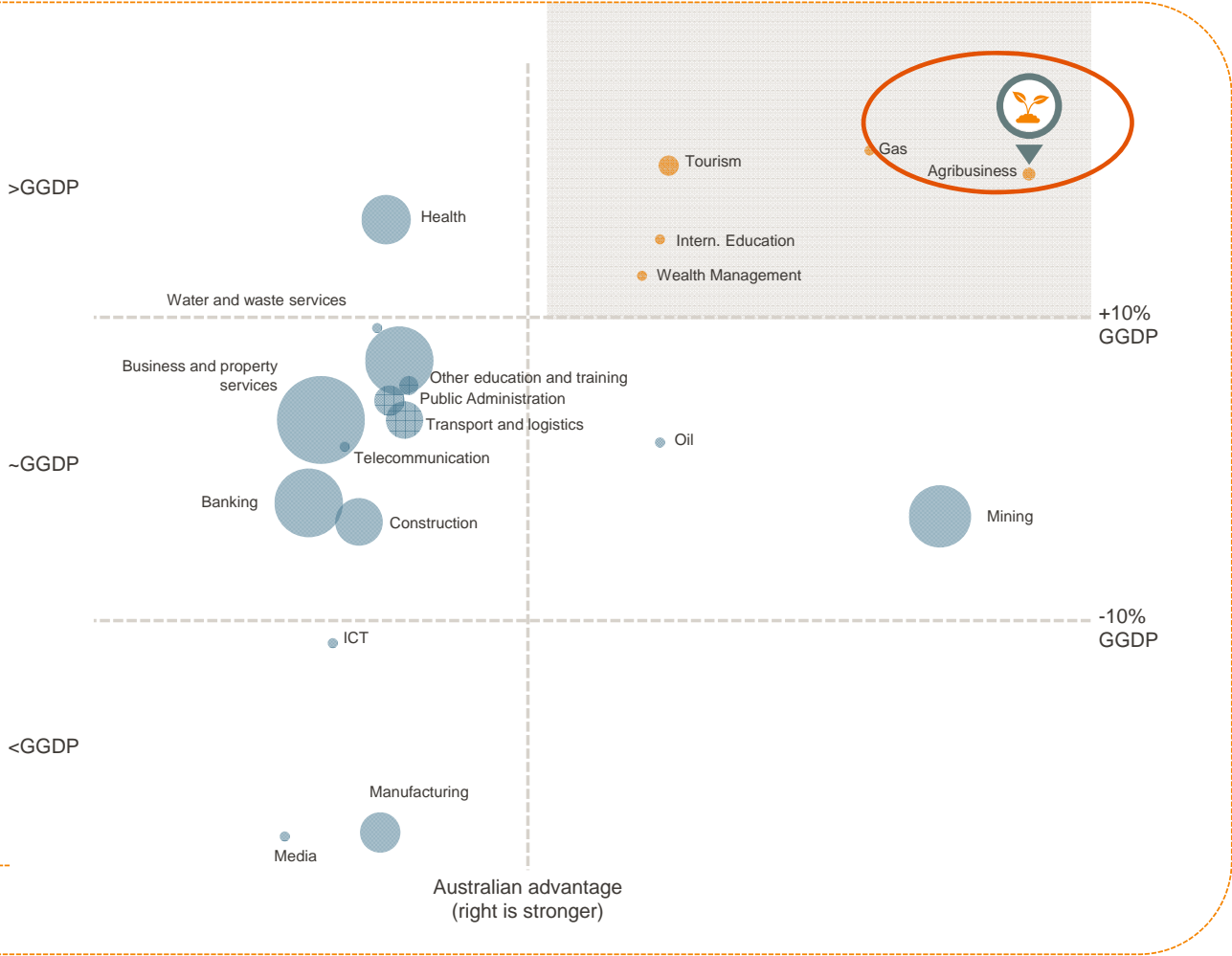
Future of pulse production and consumption forum
Wagga Wagga 28 November 2016

Agribusiness and food:

the next big thing for Australia's economic prosperity?



Global opportunity
(GGDP growth, higher is stronger)



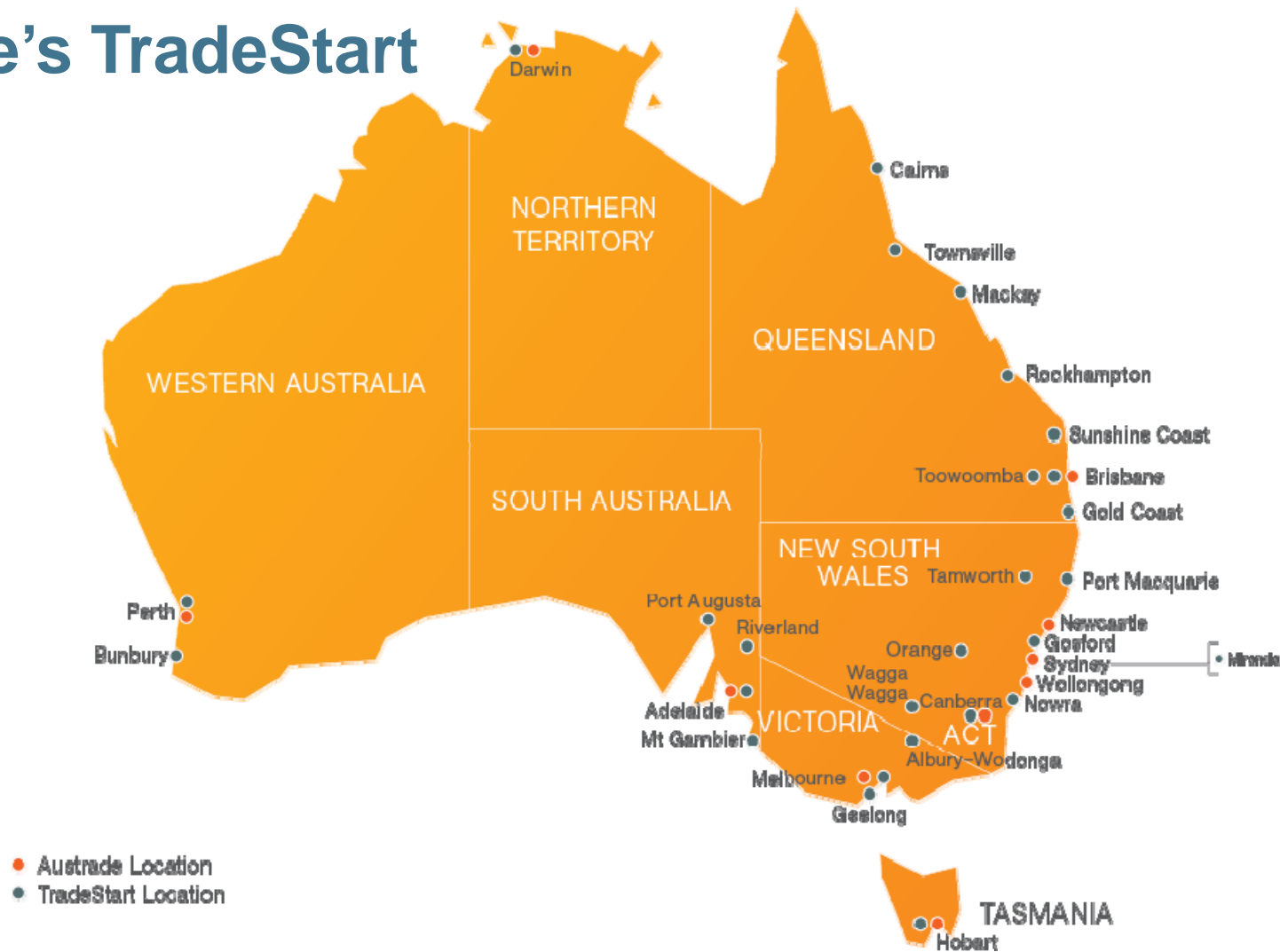


**WHAT CAN AUSTRALIA
CONTRIBUTE TO THIS
DISCUSSION?**

Austrade's network

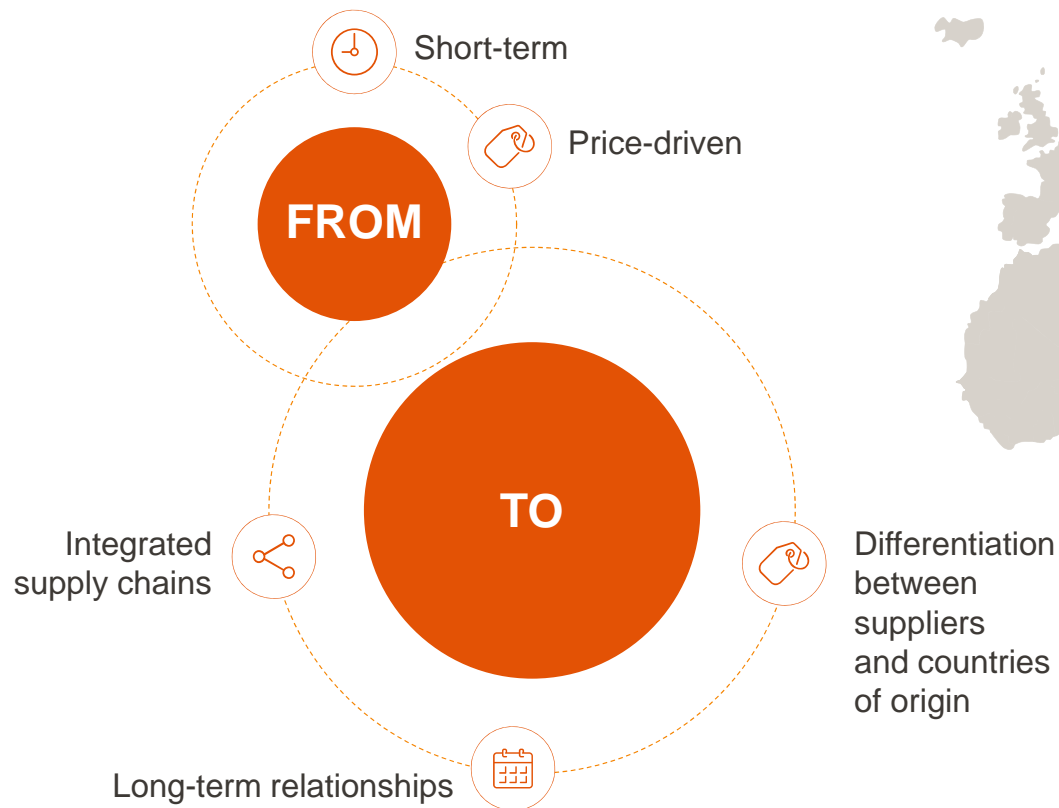


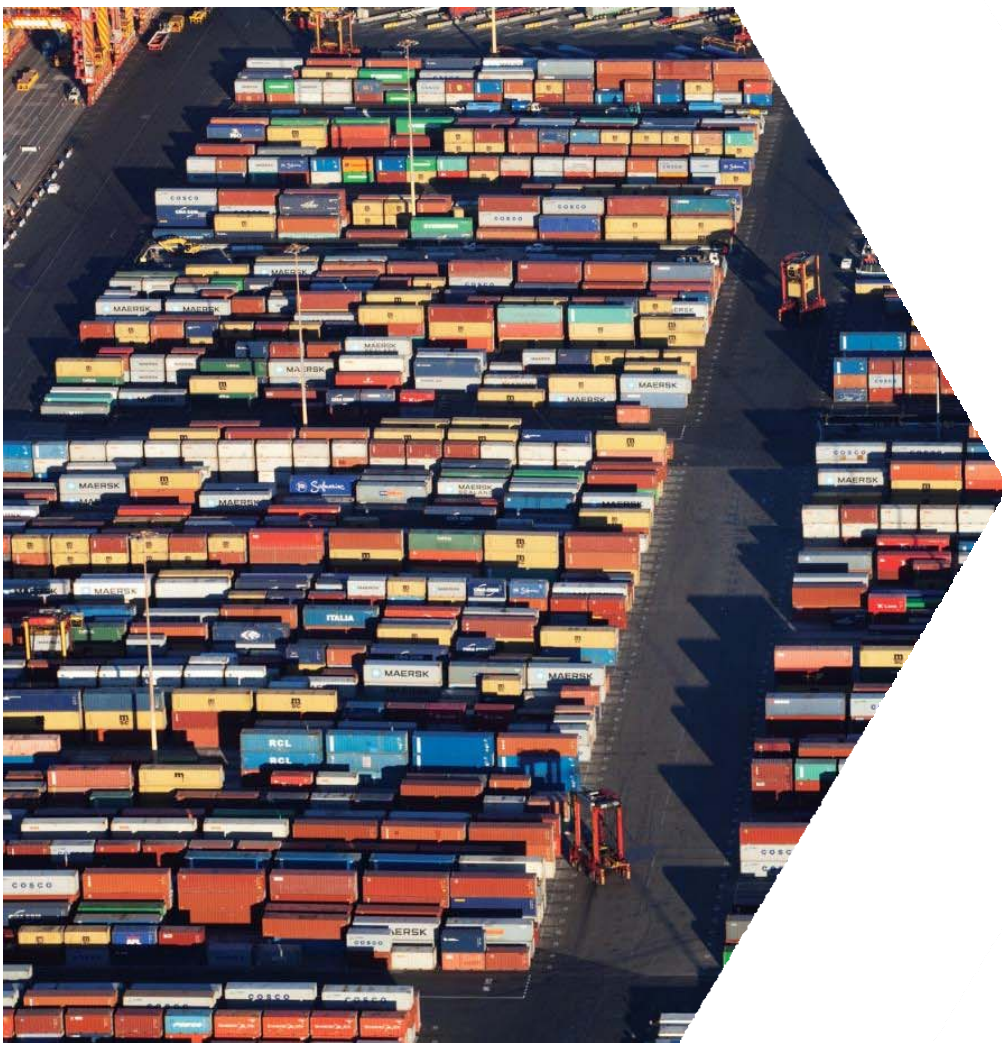
Austrade's TradeStart network



The shift in Asian markets

What does Australia need to do to adapt?





Australia's challenge

How do we:

- › Find a differentiated position with trading partners and consumers
- › Maintain competitiveness against emerging 'good enough' rivals
- › Stay relevant despite a small market share, spread across a diversified sector
 - Sharp focus
 - Niche strategies

The two major trends we are seeing



Discretionary consumer demand



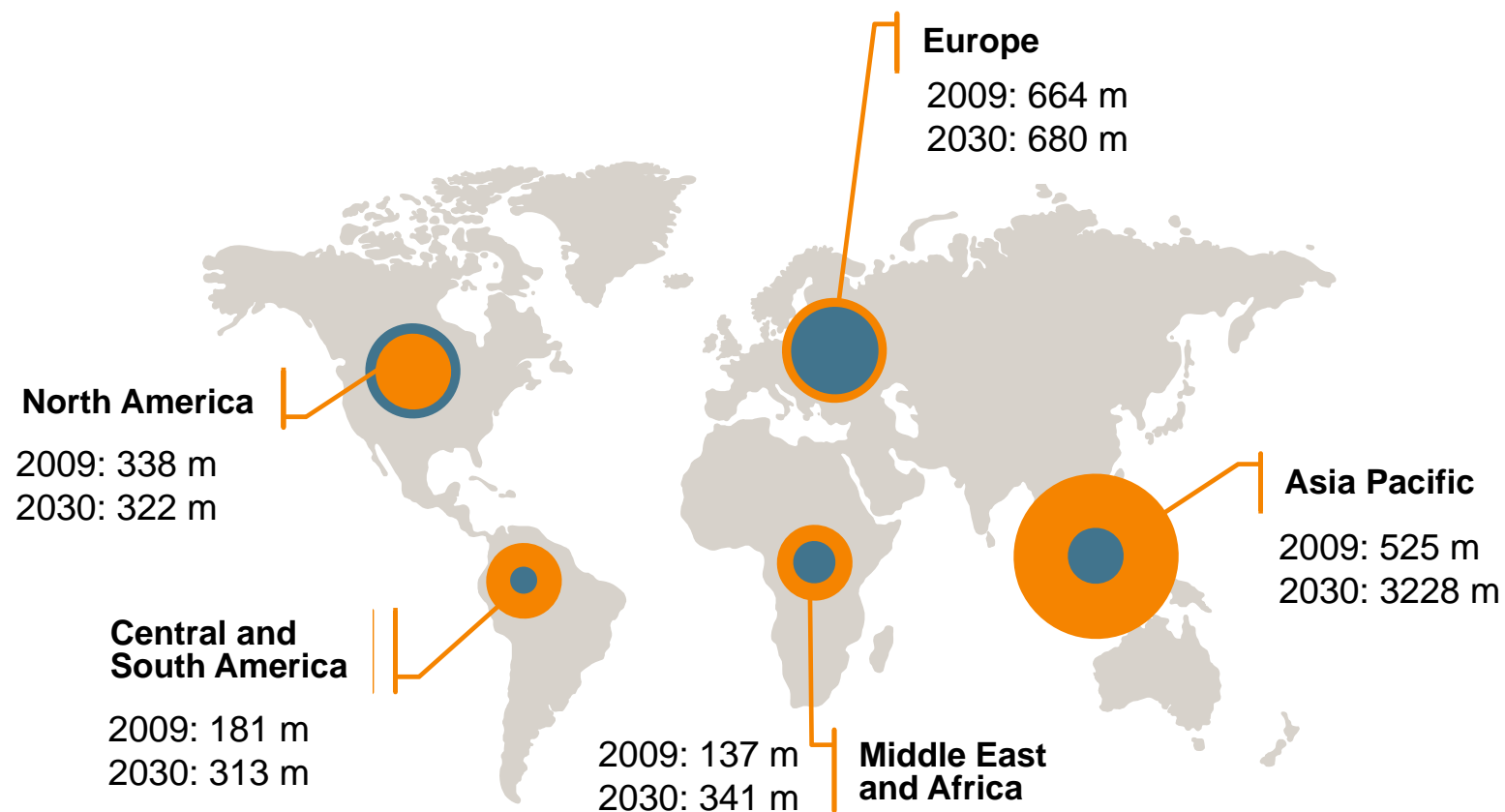
Food security



DISCRETIONARY FOOD DEMAND

Growth of the global middle class

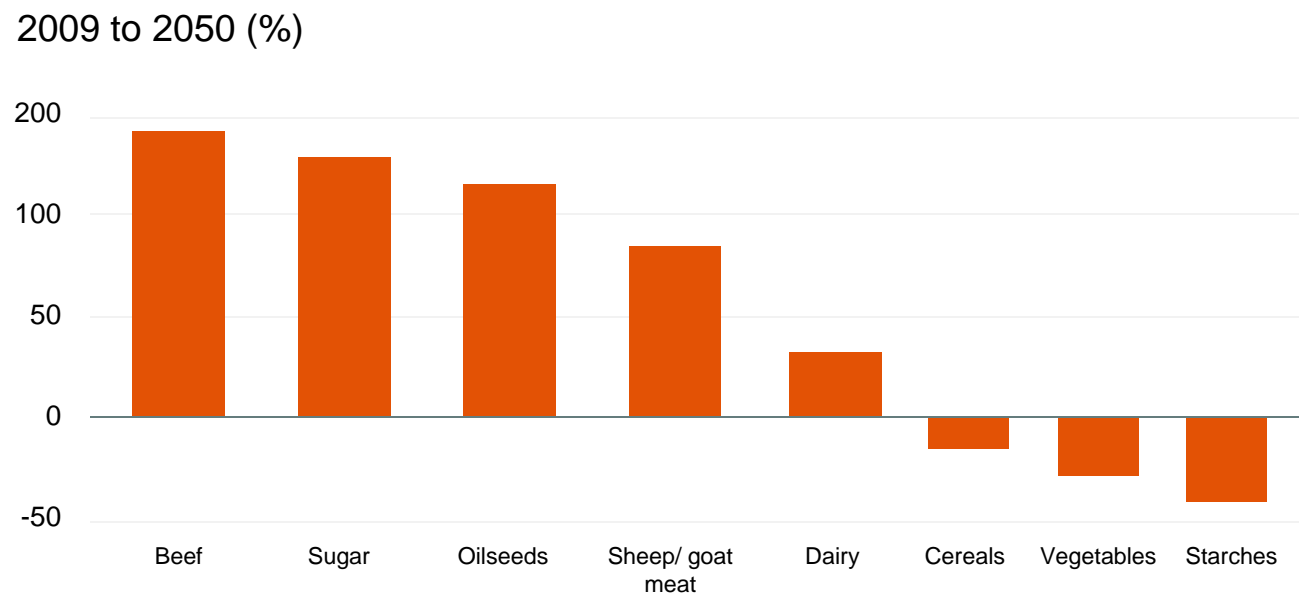
2009 vs 2030 forecast



● 2009 ● 2030

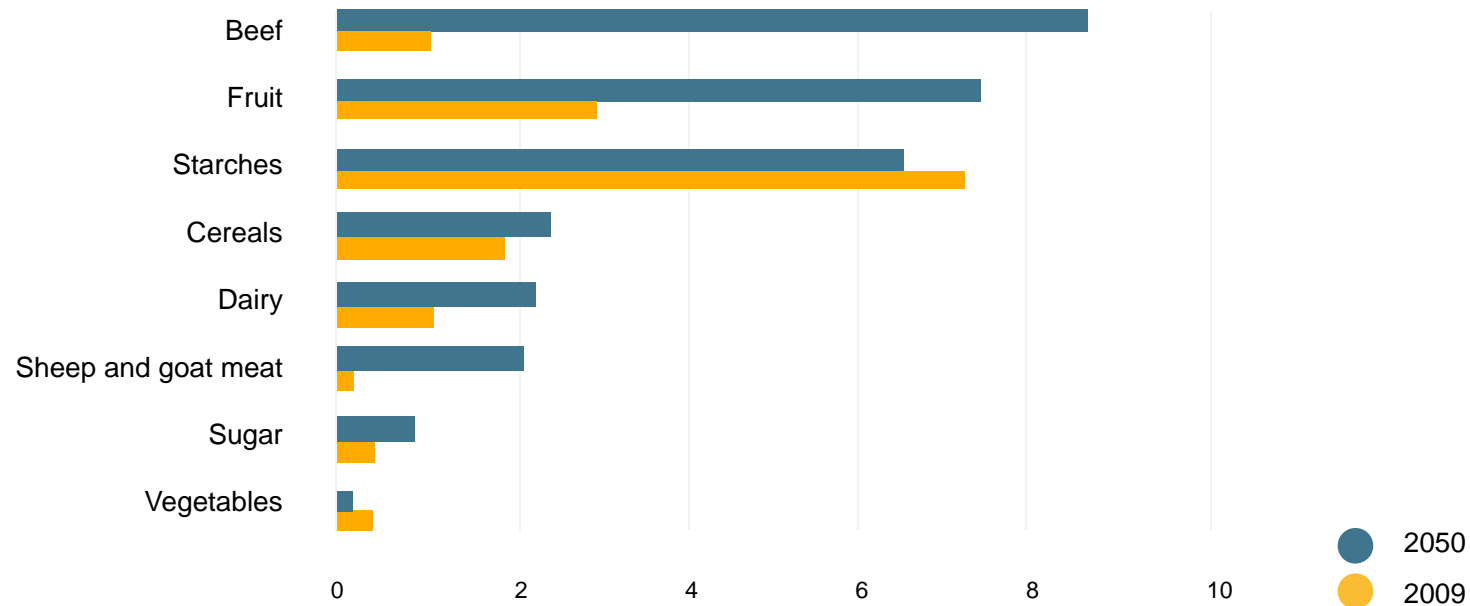
As income increases, consumption shifts

Growth in urban per person food consumption - China



Discretionary demand opens up export opportunities

Food imports – China (US\$b)



China is important but other markets are too



Source: ABARES/ABS 2014



The opportunity and the challenges



Become an aspirational choice for fresh and packaged food



Use premium positioning to get better returns



Deliver what our customers want



Tell a consistent, compelling Australian story



We have work to do

What do we hear from overseas about Australian foods?



Packaged too cheaply for price point



Under promoted



Slow to innovate or respond to trends



Not tailored to local tastes



Not consistently available



Inconsistent, confusing or absent brand for Australian food



What about online?

We're clean, safe, nutritious and good quality...

but we don't own that territory

	Australia	New Zealand	Canada	South Africa	USA	France	Italy	Spain	China	India	Indonesia	Japan
It has the right climate to grow a range of great food	34	32	18	7	37	25	27	17	15	21	11	27
This country produces food in a clean or unpolluted environment	32	32	21	4	36	21	19	11	7	10	7	29
Farmers and food producers in this country use research and innovation to improve quality	30	26	20	5	42	22	18	11	10	18	14	29
It produces food that looks good	30	26	21	7	46	27	26	17	15	21	13	25
It produces food that tastes good	29	29	18	5	40	27	30	16	15	20	11	36
The processes used to produce food from this place make it safe to eat	29	27	18	4	40	21	20	12	8	13	10	35
I can trust food from this country to be free of contaminants or harmful ingredients	28	27	18	3	37	20	18	10	6	11	12	28
If see products that include ingredients from this place I am more likely to buy them	28	26	17	4	41	23	23	12	13	17	9	26
Produces food in an environmentally responsible way	27	28	18	4	33	19	17	11	8	14	14	27
Food this country contains only natural ingredients	24	24	13	4	26	16	15	10	7	18	10	20
Food from this country contains only the highest quality ingredients	24	21	16	4	39	20	20	10	9	15	12	20
Food from this country is good value for money	19	18	12	4	36	11	13	8	15	24	4	16

Source: Austrade
National Food
Brand research
2013-14



Lack of differentiation puts us at risk from emerging – and cheaper – ‘good enough’ competitors

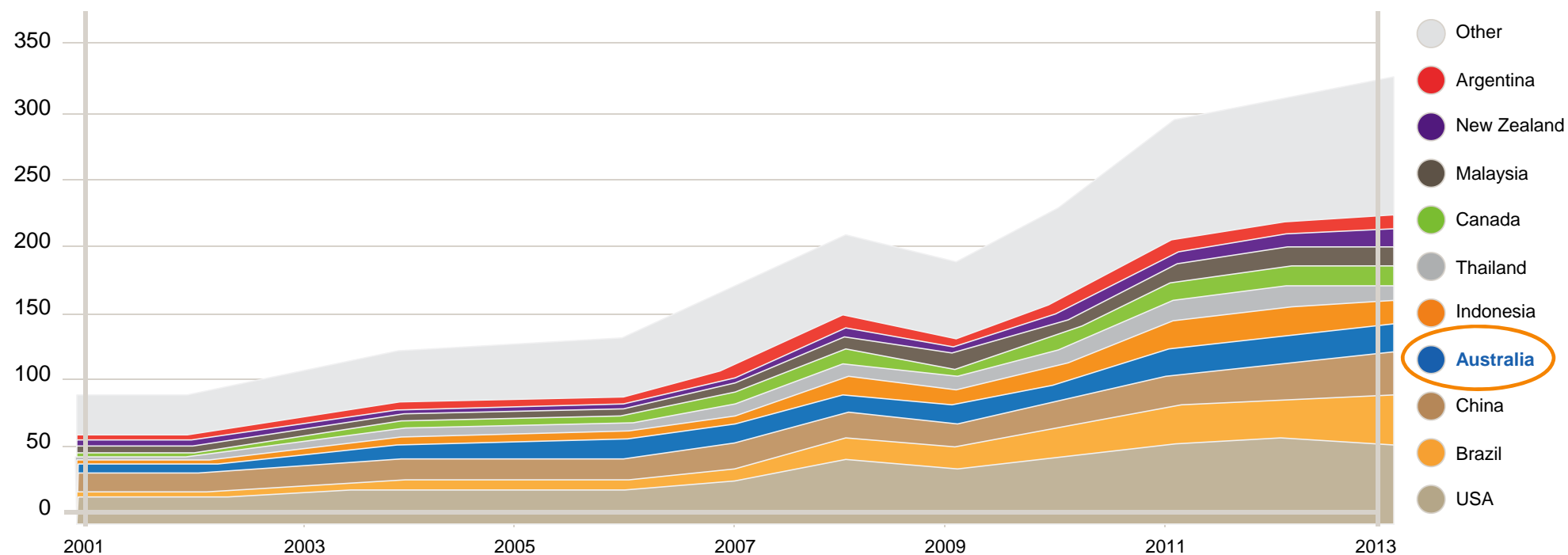


No compelling reason for overseas consumers to buy Australian



We are a small player, spread thinly across diverse categories and markets

Major Asian economies, food imports from the world (US\$bn)



Source: ITC database 2013: major Asian economies include China, Japan, Korea, India, Hong Kong, Indonesia, Singapore, Malaysia, Taiwan, Thailand, Vietnam, Philippines



**BUT THE OPPORTUNITIES ARE
THERE IF WE WANT THEM**

Grains, Pulses, Oilseeds: Products, varieties, grades and provenances to suit every purpose

- › Australia's geographic size and wide variety of soil types and growing climates allows the industry to produce a highly diversified range of grains, pulses and oilseeds
- › With an increasing number of suppliers to choose from, global buyers are increasingly seeking less generic products and more segmentation, unique product attributes, and assurances of traceability
- › A combination of world-leading research and development (R&D), technology and diversity of growing regions means that Australian growers can supply specific grades, textures and colours to meet different market requirements, buyer specifications and functionalities.
- › Australian exporters supply many international customers who are seeking greater differentiation and can meet specifications such as non-GMO, organic or specific regional origins.

Source: Austrade, ICR: Grains, Pulses, Oilseeds, December 2016





FOOD SECURITY



What is food security?

UN definition:

Availability, quality, safety, nutritional value and sustainability of a population's food supply

- › Strategic importance to governments
 - Failure is not an option

- › Separate issue to rising discretionary demand
 - Affects a different demographic from our premium target market

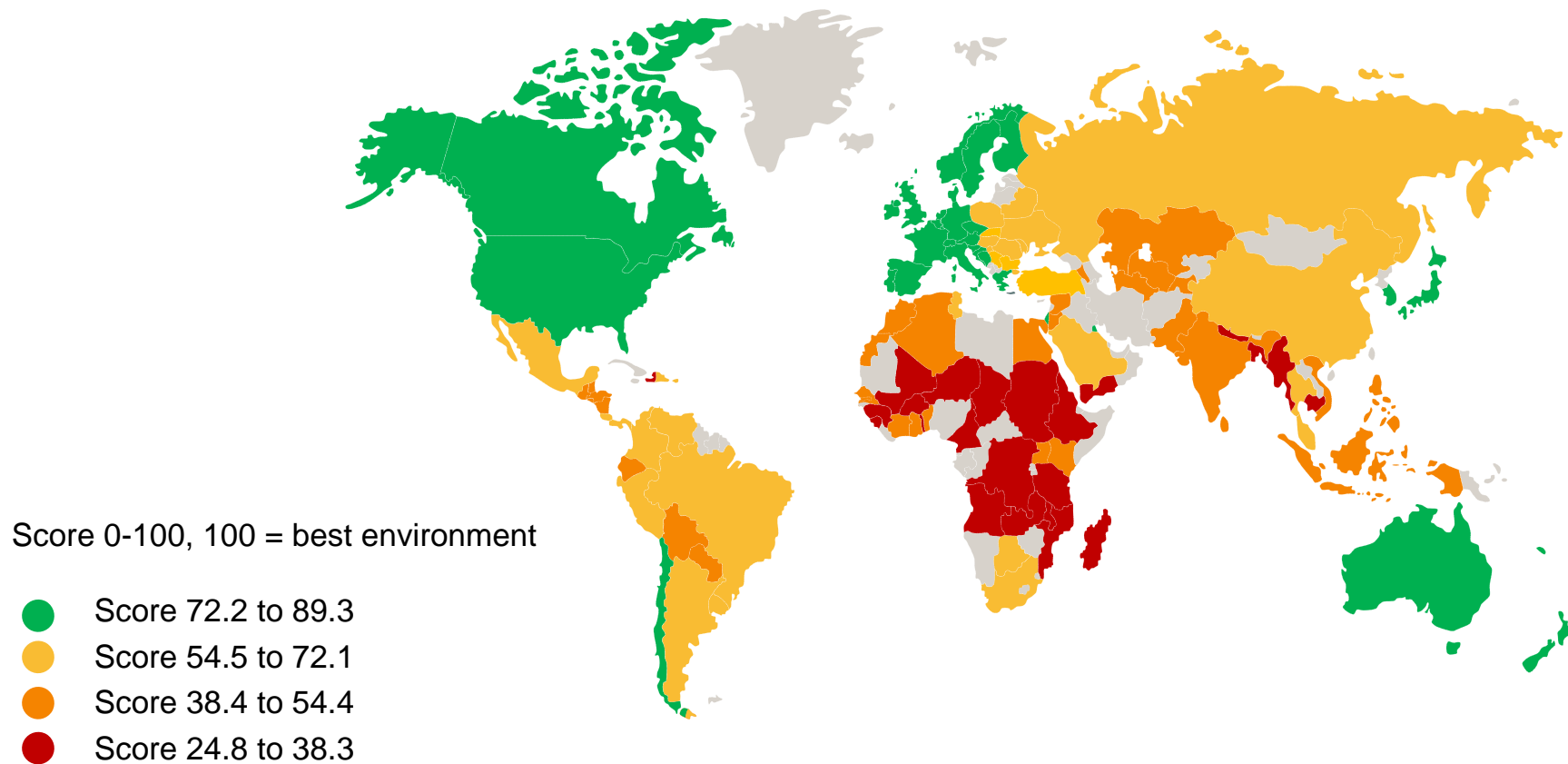
Increasing pressure on global land resources

Source: Savillis Research

Number of people average 'global' arable hectare feeds

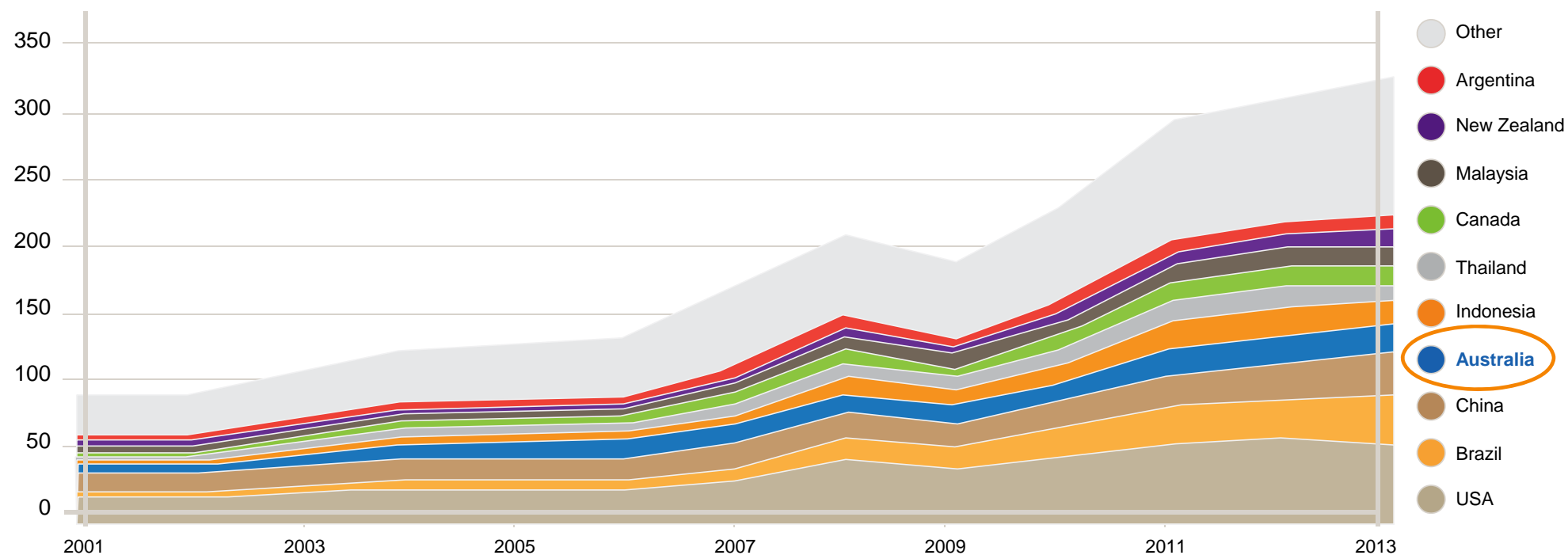


Australia rates highly for food security



The scale of global demand dwarfs our supply

Major Asian economies, food imports from the world (US\$bn)



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Risks of a short-term approach



Chasing buyers and prices



No long-term guarantees



Not aligned with trading partners' strategic food security interests

Our broader offer



- › The capabilities behind our foods
 - Equipment
 - Technology
 - Systems
 - Services, education and research
- › Quality inputs
- › Investment opportunities
- › Bulk agricultural commodities (and premium products)

Food security as a strategic opportunity for Australia



Australia is a diverse producer but
a comparatively small exporter



We can be a partner in food security
– but not a threat

How this approach benefits Australia



Diversified income now

- New services exports
- Opportunities for joint ventures



Not a risk to our product exports

- Sheer size of demand means we are not doing ourselves out of a market



Building differentiation of our products

- Australia as the home of the best systems and processes



Long-term relationships

- Partners, not just vendors
- Alignment of systems and standards facilitates market access

Some current opportunities

- › Cropping industries
- › Grains
- › Red meat
- › Agricultural education, training and R&D
- › India, China – Austrade is currently working with the dairy, beef, grains and fodder sectors
- › Asian, Middle Eastern and other markets





CONCLUSION

A world of opportunities



Our reputation is strong

- But the market has shifted and we need to adapt

Enormous growth in demand in coming decades

- How can we claim our share?

We need

- A lasting source of differentiation from new and old competitors
- A clear focus on where we are going to succeed and strategies for getting there



Discretionary consumer demand

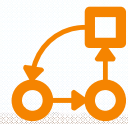
- › Premium product offerings using our strengths
 - High quality, high value foods that new consumers want
- › Recognise and work on our weaknesses
 - Listen to the new consumers
- › To stay competitive, we need to:
 - Focus and target our efforts
 - Coordinate as a sector
 - Achieve a consistent presence in our chosen markets
 - Build a national brand
 - Attract investment

Food security



Australia as a long-term partner

Our small scale of exports becomes a strategic advantage



Expand beyond commercial trading of bulk commodities

- Staple food supply PLUS
- Equipment, technology and skills
- Investment



By helping our trading partners improve their domestic production, we can:

- Diversify our income
- Reinforce our reputation for quality
- Align systems and standards
- Improve market access for our products



**HOW AUSTRALIA
IS POSITIONING ITSELF
AROUND THESE AREAS
OF OPPORTUNITY**



What we're doing



Processed and packaged foods: a focus on differentiated products and exporters



Working with industry and government towards a national brand and a unified voice for the sector internationally



Helping coordinate industry and government overseas to improve our collective impact and messages



Through our international network, understanding our trading partners' specific needs and identifying trade and investment opportunities



Bringing together agricultural services, technology and skills providers in an industry body

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